

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In Re:

Chapter 7

Carefree Living of America (Burnsville), Inc.
Carefree Living of America (St. Cloud), Inc.
Carefree Living of America (Brainerd), Inc.

Case Nos.: 01-33545
 01-33546
 01-33547

Debtors.

Brian F. Leonard, Trustee,

ADV Case No. 02-9117

Plaintiff,

vs.

**SUPPLEMENTAL AFFIDAVIT OF
BRIAN F. LEONARD**

Jane L. Strom Revocable Trust and
Jane L. Strom, Trustee,

Defendants.

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Brian F. Leonard, being first duly sworn on oath and under penalty of perjury, states as follows:

1. I am the duly appointed and acting Trustee of the above-referenced Chapter 7 bankruptcy case ("**Trustee**").

2. This Supplemental Affidavit is submitted in addition to the Affidavit of Brian F. Leonard dated September 16, 2004 in support of the Plaintiff's motion for summary judgment.


3. My examination of the Debtors' financial and business records, together with the claims registers in the Debtors' cases, reflected the following partial list of liabilities owed jointly by all the Debtors as of January 1, 2001, which were unpaid as of March 15, 2001:

<u>Creditor</u>	<u>Claim Amount</u>	<u>Claim No. on 01-33545</u>
First Union Bank	\$11,211,440.76	33
Linda Simmons (Selbak)	\$3,500,000.00	31
Dwight Lindquist-Trustee	\$218,700.00	23
Kathleen Zeller	\$155,375.00	35
Mahoney & Hagberg	\$1,500,000.00	42
Jane Strom Trust	\$62,160.35	38
David Broberg	\$61,481.13	20
William Howard	\$193,300.00	39
Hinshaw & Culbertson	\$43,915.93	40
Rider, Bennett Law Firm	\$33,641.12	45
Internet Financial Services	\$38,370.55	43
Limited Partners of Brainerd Manor, Ltd., et al.	<u>\$3,275,000.00</u>	41
Total:	<u>\$20,293,384.84</u>	

4. Attached hereto are copies of underlying documents which were part of the Debtors' business records, and/or proofs of claim with underlying documents, which reflect that each of the Debtors were liable on each of the obligations identified in the preceding paragraph as of January 1, 2001 and March 15, 2001.


FURTHER YOUR AFFIANT SAYETH NOT.

Dated: September 27, 2004



Brian F. Leonard

Subscribed and sworn to before me
this 27th day of September, 2004.



Notary Public



@PFDesktop\::ODMA/GRPWISE/GWDSTP.GWPOSTP.STPLIB1:311776.1

United States Bankruptcy Court for the District of Minnesota (St. Paul)

PROOF OF CLAIM

Name of Debtor:

Case Number

CAREFREE LIVING OF AMERICA (ST. CLOUD), INC.

01-33546

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (The person or other entity to whom the debtor owes money or property)

FIRST UNION NATIONAL BANK, a national banking association

Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Check box if you have never received any notices from the bankruptcy court in this case.
☒ Check box if the address differs from the address on the envelope sent to you by the court.

DEC 14 PM 4:06

This Space is for Court use Only

Name and address where notices should be sent:

FIRST UNION NATIONAL BANK, a national banking association
 c/o Faegre & Benson LLP
 2200 Wells Fargo Center
 90 South Seventh Street
 Minneapolis, Minnesota 55402
 Attention: James D. H. Loushin
 Telephone Number: (612) 766-7000

Account or other number by which creditor identifies debtor:

Check here if this claim replaces
 amends a previously filed claim, dated:

1. Basis for Claim

- Goods sold
 Services performed
☒ Money loaned
 Personal injury/wrongful death
 Taxes
 Other

Retiree benefits as defined in 11 U.S.C. § 1114(a)
 Wages, salaries, and compensation (fill out below)

Your SS#:

Unpaid compensation for services performed

from (date) to (date)

2. Date debt was incurred: On or about November 4, 1998

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed: \$11,388,457.45 (See Exhibit A attached hereto and made a part hereof)

If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.

☒ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.

- ☒ Check this box if claim is secured by collateral (including a right of setoff).
 Brief Description of Collateral:
☒ Real Estate Motor Vehicle
☒ Other: All real and personal property

Value of Collateral: See Exhibit B attached hereto and made a part hereof

Amount of arrearage and other charges at time case filed included in secured claim, if any: See Exhibit A attached hereto and made a part hereof

6. Unsecured Priority Claim.

Check this box if you have an unsecured priority claim
 Amount entitled to priority \$
 Specify the priority of the claim:

Wages salaries, or commissions (up to \$4000),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
 Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4).
 Up to \$1,800* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
 Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
 Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
 Other - Specify applicable paragraph of 11 U.S.C. § 507(a)().

*Amounts are subject to adjustment on 4/1/98 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. See Exhibit C attached hereto and made a part hereof.

9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

Date

12.13.01

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):

FIRST UNION NATIONAL BANK, a national banking association
 By *James D. H. Loushin* Its *Vice President*

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571

This Space is for Court use Only

U.S. Bankruptcy Court
 200 U.S. Court
 16 North Robert Street
 St. Paul, MN 55101

United States Bankruptcy Court for the District of Minnesota (St. Paul)		PROOF OF CLAIM
Name of Debtor: CAREFREE LIVING OF AMERICA (BURNSVILLE), INC.	Case Number 01-33545	<div>DEC 14 PM 4:08</div> <div>This Space is for Court use Only</div>
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor (The person or other entity to whom the debtor owes money or property) FIRST UNION NATIONAL BANK, a national banking association	Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Name and address where notices should be sent: FIRST UNION NATIONAL BANK, a national banking association c/o Faegre & Benson LLP 2200 Wells Fargo Center 90 South Seventh Street Minneapolis, Minnesota 55402 Attention: James D. H. Loushin Telephone Number: (612) 766-7000		
Account or other number by which creditor identifies debtor:	Check here if this claim replaces	amends a previously filed claim, dated:
1. Basis for Claim Goods sold Services performed <input checked="" type="checkbox"/> Money loaned Personal injury/wrongful death Taxes Other		
Retiree benefits as defined in 11 U.S.C. § 1114(a) Wages, salaries, and compensation (fill out below) Your SS#: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)		
2. Date debt was incurred: On or about November 4, 1998		3. If court judgment, date obtained:
4. Total Amount of Claim at Time Case Filed: \$11,388,457.45 (See Exhibit A attached hereto and made a part hereof) If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.		
<input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim. <input checked="" type="checkbox"/> Check this box if claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input checked="" type="checkbox"/> Real Estate Motor Vehicle <input checked="" type="checkbox"/> Other: All real and personal property Value of Collateral: <u>See Exhibit B attached hereto and made a part hereof</u> Amount of arrearage and other charges at time case filed included in secured claim, if any: <u>See Exhibit A attached hereto and made a part hereof</u>		6. Unsecured Priority Claim. Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: Wages salaries, or commissions (up to \$4000)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). Up to \$1,800* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7). Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). Other - Specify applicable paragraph of 11 U.S.C. § 507(a)() _____ *Amounts are subject to adjustment on 4/1/98 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. 8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. <u>See Exhibit C attached hereto and made a part hereof.</u> 9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		This Space for Court use Only U.S. Bankruptcy Court 200 U.S. Court 31 North Robert Street St. Paul, MN 55101
Date 12.13.01	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): FIRST UNION NATIONAL BANK, a national banking association By <u>John F. Loushin</u> Its <u>Vice President</u>	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3		

EXHIBIT A
TO PROOF OF CLAIM

CLAIM AMOUNT

First Union National Bank, a national banking association ("First Union") files this proof of claim to assert a claim against Carefree Living of America (St. Cloud), Inc. (the "Debtor") for amounts due and owing to First Union by the Debtor (the "Indebtedness") as evidenced by the documents listed on Exhibit C.

The Indebtedness, as of August 17, 2001 can be further described as:

Principal	\$11,006,848.49
Plus Interest	\$381,608.96
Total Prepetition Indebtedness	\$11,388,457.45, plus all fees, costs and charges to the extent allowable under Bankruptcy Code Section 506(b).

FIRST UNION RESERVES ALL RIGHT IT MAY NOW OR ANY TIME HEREAFTER HAVE AGAINST THE DEBTOR, OR ANY OTHER PERSON. THIS CLAIM IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED AS: (1) AN ELECTION OF REMEDIES; (2) A WAIVER OF ANY DEFAULTS; OR (3) A WAIVER OR LIMITATION ON ANY RIGHTS, REMEDIES, CLAIMS OR INTERESTS OF FIRST UNION.

FIRST UNION RESERVES THE RIGHT TO AMEND THIS PROOF OF CLAIM, IN ANY MANNER AND FOR ANY PURPOSE, AFTER THE LAST DATE SET FOR FILING CLAIMS IN THIS PROCEEDING.

EXHIBIT A
TO PROOF OF CLAIM

CLAIM AMOUNT

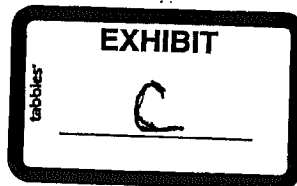
First Union National Bank, a national banking association ("First Union") files this proof of claim to assert a claim against Carefree Living of America (Burnsville), Inc. (the "Debtor") for amounts due and owing to First Union by the Debtor (the "Indebtedness") as evidenced by the documents listed on Exhibit C.

The Indebtedness, as of August 17, 2001 can be further described as:

Principal	\$11,006,848.49
Plus Interest	\$381,608.96
Total Prepetition Indebtedness	\$11,388,457.45, plus all fees, costs and charges to the extent allowable under Bankruptcy Code Section 506(b).

FIRST UNION RESERVES ALL RIGHT IT MAY NOW OR ANY TIME HEREAFTER HAVE AGAINST THE DEBTOR, OR ANY OTHER PERSON. THIS CLAIM IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED AS: (1) AN ELECTION OF REMEDIES; (2) A WAIVER OF ANY DEFAULTS; OR (3) A WAIVER OR LIMITATION ON ANY RIGHTS, REMEDIES, CLAIMS OR INTERESTS OF FIRST UNION.

FIRST UNION RESERVES THE RIGHT TO AMEND THIS PROOF OF CLAIM, IN ANY MANNER AND FOR ANY PURPOSE, AFTER THE LAST DATE SET FOR FILING CLAIMS IN THIS PROCEEDING.



STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

Linda M. Selbak,

CASE TYPE: Contract

COURT FILE NO. _____

Plaintiff,

v

CONFESSION OF JUDGMENT

Minnesota Home Health Care, Inc., a
Minnesota corporation; Carefree Living of
America (Brainerd), Inc.; Carefree Living
of America (Minnetonka), Inc.; Carefree
Living of America (Burnsville), Inc.;
Carefree Living of America (St. Cloud),
Inc.; all Delaware corporations,

Defendants.

This Confession of Judgment is entered into by and between:

1. Linda M. Selbak ("Selbak"), Plaintiff in the above-captioned matter.
2. Minnesota Home Health Care, Inc., a Minnesota corporation; Carefree Living of America (Brainerd), Inc.; Carefree Living of America (Minnetonka), Inc.; Carefree Living of America (Burnsville), Inc.; Carefree Living of America (St. Cloud), Inc.; all Delaware corporations, Defendants in the above-captioned action.

RECITALS

FIRST: Selbak commences the captioned action to recover judgment against the Defendants on account of amounts owed to her pursuant to that certain Settlement Agreement between and among the parties, dated March 26, 1998 in the amount of .

\$3,837,600. A copy of the Settlement Agreement is annexed hereto and incorporated herein by reference.

SECOND: There is now due and owing on account of the Settlement Agreement the following amount which shall hereinafter be referred to as the "Judgment Debt":
\$3,837,600.

THIRD: Defendants acknowledge and agree that the Judgment Debt is immediately due and payable in full, without offset, deduction, counterclaim or defense of any kind whatsoever.

FOURTH: The Settlement Agreement settled litigation between the parties in two cases that were pending in the United States District Court for the District of Minnesota styled as Minnesota Home Health Care, et al v. Linda Marie Selbak, Court File No. 97-902 PAM/JGL and Court File No. 4-96-1239, which actions have been dismissed pursuant thereto.

FIFTH: The parties wish to resolve this matter without further litigation.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The foregoing recitals are true and correct and are hereby made a part of this Agreement.
2. Confession of Judgment. Defendants and each of them hereby confess judgment to the full amount of the Judgment Debt and agree that in the event of any

default by Defendants in the performance of any obligation imposed upon Defendants under any provision of this Confession of Judgment, or in the event that the Defendants fail to pay the amounts due to Selbak or perform or fail to perform any other obligation in violation of the terms of the Settlement Agreement.

a. Selbak may, at her sole option, docket judgment against any or all of the Defendants for the full amount of the Judgment Debt, plus costs and reasonable attorneys' fees, minus any amounts actually paid pursuant to the Settlement Agreement, which judgment may be docketed by affidavit, *ex parte*, in such jurisdiction as Selbak may deem advisable;

b. Interest shall accrue on the Judgment Debt at the statutory rate from the date of docketing such judgment;

c. In addition to any remedies provided herein, Selbak may exercise any other remedies available to her at law or equity including rescission of the Settlement Agreement pursuant to paragraph 9.1 of the Settlement Agreement;

d. Any expenses incurred by Selbak in connection with the exercising of her rights herein shall be added to the Judgment Debt;

e. Selbak shall give Defendants notice of default before exercising any right hereunder, which notice shall provide the Defendants ninety (90) days from the effective date of the notice to cure the default specified.

3. Dismissal of Action, etc. Upon full and prompt performance of Defendants' obligations under this Confession of Judgment, including payment of all

amounts under the terms of the Settlement Agreement, Selbak shall, upon the written request of Defendants:

- a. Dismiss the captioned action, with prejudice and on the merits.
- b. Cancel and return all instruments evidencing the Debt.

4. Notice. Any notice required or contemplated hereunder shall be in writing and shall be effective if it is served or delivered in conformance with paragraph 10.3 of the Settlement Agreement.

MINNESOTA HOME HEALTH CARE, INC.

Dated: MAR 27th 1998.

BY 

CAREFREE LIVING OF AMERICA (MINNETONKA), INC.

Dated: MAR 27th 1998.

By 

CAREFREE LIVING OF AMERICA (ST. CLOUD), INC.

Dated: MAR 27th 1998.

By 

CAREFREE LIVING OF AMERICA (BURNSVILLE), INC.

Dated: MAR 27th 1998.

By 

CAREFREE LIVING OF AMERICA (BRAINERD), INC.

Dated: MAR 27th, 1998.

By 

Dated: March 31, 1998.

MOSS & BARNETT
A Professional Association

By 

Cass S. Weil #115228

Attorneys for Plaintiff
4800 Norwest Center
90 South Seventh Street
Minneapolis MN 55402-4129
Telephone: (612) 347-0300

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Wilnard Leif Selbak,

Debtor.

BKY 98-41421

Dwight R. J. Lindquist, Trustee,

ADV 01-4113

Plaintiff,

v.

ORDER FOR DEFAULT JUDGMENT

Summa Management, Inc.,
Carefree Living of America
(Brainerd), Inc., Carefree Living
of America (St. Cloud), Inc.,
Carefree Living of America
(Burnsville), Inc., and Carefree
Living of America (Minnetonka),
Inc.,

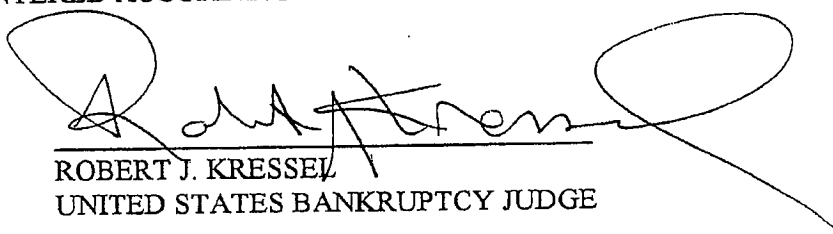
Defendants.

At Minneapolis, Minnesota, March 20, 2001.

On application of the plaintiff and it appearing that the defendants are in default,

IT IS ORDERED: The plaintiff shall recover from the defendants, and each of
them, a total of \$218,670.00, together with attorney's fees in the amount of \$2,525.60, and costs
of \$186.15, for a total of \$221,381.75.

LET JUDGMENT BE ENTERED ACCORDINGLY.


ROBERT J. KRESSEL
UNITED STATES BANKRUPTCY JUDGE

ENTERED IN CLERK'S OFFICE ORDER ON JUDGMENT	
FILED	MAR 29 2001
Clerk's Office made on	
Entered in De Werra, Clerk By	lmh

6-1

PROMISSORY NOTE

\$117,875.00

January 18, 2001

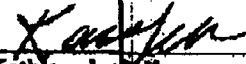
FOR VALUE RECEIVED, the undersigned, Carefree Living of America (Minnetonka), Inc., Carefree Living of America (Burnsville), Inc., Carefree Living of America (Brainerd), Inc., and Carefree Living of America (St. Cloud), Inc., all Delaware corporations (the "Borrowers"), promise to pay to the order of William J. Howard (the "Lender") at 13713 Krestwood Drive, Burnsville, Minnesota 55337, the sum of One Hundred Seventeen Thousand Eight Hundred Seventy-Five Dollars (\$117,875.00) together with interest at the rate of twenty-four percent (24%) per annum in twelve (12) equal monthly installments of \$5,232.18 each commencing on March 31, 2001 and continuing on the last day of each month thereafter until April 1, 2002 when the entire remaining unpaid balance together with any accrued but unpaid interest shall be due and payable in full.

This Note is made under the terms and provisions of a certain Loan Agreement and Guaranty of Katherine L. Zeller and of even date hereof, and the holder thereof is entitled to all the benefits provided for in said Agreements, or referred to therein, to which Agreements reference is made for a statement of the terms and conditions under which this indebtedness was incurred and is to be repaid and under which the due date of this Note may be accelerated. The provisions of the Agreements are incorporated by reference herein with the same force and effect as if fully set forth herein.

Payments hereunder shall be applied first to accrued interest and the remainder to principal.

Upon the occurrence at any time of any Event of Default, as defined in the Agreements, Borrower promises to pay all costs of collection, including but not limited to reasonable attorney's fees, incurred by the Lender on account of such collection, whether or not suit is filed hereon.

CAREFREE LIVING OF AMERICA
(MINNETONKA), INC.

By: 
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(BURNSVILLE), INC.

By: 
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(BRAINERD), D.C.

By: Kathleen L. Zeller
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(ST. CLOUD), INC.

By: Kathleen L. Zeller
Kathleen L. Zeller
Its: President

\$37,500

PROMISSORY NOTE

September 1, 2000

FOR VALUABLE CONSIDERATION RECEIVED, Carefree Living of America (Burnsville), Inc., a Delaware corporation, having an address of 600 Nicollet Court, Burnsville, Minnesota 55377, Carefree Living of America (Brainerd), Inc., a Delaware corporation, having an address of 2723 East Oak Street, Brainerd, Minnesota 56401, Carefree Living of America (St. Cloud), Inc., a Delaware corporation, having an address of 1225 Division Street, St. Cloud, Minnesota 56304, jointly and severally (collectively, the "Maker"), hereby promises to pay to William J. Howard ("Holder"), at Holder's office at 13713 Krestwood Drive, Burnsville, Minnesota 55337, or at any other place designated by the Holder hereof the principal sum of Thirty Seven Thousand Five Hundred Dollars (\$37,500.00) together with interest (calculated on the basis of actual days elapsed) on the unpaid principal hereof, and fee in the amount of Nine Thousand Three Hundred and Seventy Five Dollars (\$9,375) from the date of this Note until this Note is fully paid in the following manner and upon the following terms and conditions:

1. Payment. This Note shall be payable in consecutive monthly installments of Six Hundred and Eighty Seven Dollars and Fifty Cents (\$687.50) commencing on the fifteenth day of September, 2000 and on the fifteenth day of each month thereafter until the fifteenth day of January, 2001 at which time all unpaid principal, accrued and unpaid interest, and fees shall become due and payable in full. Notwithstanding any language to the contrary, all sums due hereunder shall be paid in full from the proceeds of any financing by the Maker in the aggregate in excess of \$13,000,000.00.
2. Prepayment. This Note may be prepaid in whole or in part at any time provided that any such prepayment shall be applied first to accrued interest with the remainder applied to reduction of principal. Any extension of time for the payment of the principal of the Note resulting from the due date falling on a Saturday, Sunday or legal holiday shall be included in the computation of interest.
3. Interest. Interest shall accrue on this Note at the rate of Twenty (22%) Percent per annum.
4. Events of Default. If payments are not paid when due, or if any other indebtedness of Maker to the Holder is not paid when due, or if Maker sells all or substantially all of their assets or secures financing in the aggregate in excess of Thirteen Million Dollars (\$13,000,000.00), or if a garnishment summons or a writ of attachment is issued against and served upon the Holder for the attachment of any property of Maker in the Holder's possession or any indebtedness owing to Maker, Holder may, at his option, declare this Note to be immediately due and payable and thereupon the Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice of demand. This Note shall also become automatically due and payable (including unpaid interest accrued hereon) without notice or demand should Maker die or should a petition be filed by or against Maker under the United States Bankruptcy Code or any other law relating to insolvency, reorganization, receivership or relief of debtors. If this Note is not paid on the due date or any event occurs that would entitle the Holder to declare this Note

to be immediately due and payable, Maker agrees to pay all costs of collection, including attorneys fees, and the Holder shall have the right to set off the indebtedness evidenced by this Note against any indebtedness of the Holder to Maker, to file any Confessions of Judgment executed by Maker, and to take any other action authorized by law Holder deems appropriate to collect the sums due under this Note. Presentment or other demand for payment, notice or dishonor and protest are hereby waived by Maker.

5. Notice of Default. If Maker shall default by failing to perform the obligations imposed by this Note, then the Holder shall give notice to the Maker of default and if the default is not cured within thirty days from the receipt of such notice by Maker, then the full indebtedness represented by this Note shall become immediately due and payable. The Holder shall take no action against either Maker and shall commence no proceedings for collection until the expiration of such notice.
6. Extension; Payment of Costs of Collection. Maker shall continue to remain liable to pay the unpaid balance of the indebtedness evidenced by this Note as extended, renewed, or modified. Maker further agrees to pay all costs of collection, including reasonable attorney's fees, in case any payment due hereunder shall not be made when due or other default occur.
7. Miscellaneous.
 - a. Notices. All notices required pursuant to the terms of this Note shall be in writing and either delivered personally or sent by United States mail. If sent by mail, notice shall be deemed given when deposited in the U.S. Mail, properly addressed and with postage prepaid. Unless changed by written notice, the addresses provided above shall be used to notify Maker.
 - b. Governing Law. This Note shall be construed and interpreted and enforced in accordance with the laws of the State of Minnesota, without regard to principles of conflicts of law.
 - c. Binding Effect. Except as herein otherwise provided to the contrary, this Note shall be binding upon, and inure to the benefit of, the parties and the respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, this Note has been executed to be effective as of the 1st day of September, 2000

MAKER:

CAREFREE LIVING OF AMERICA
(BURNSVILLE) INC., a Delaware
corporation

By: [Signature]
Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(Brainerd) INC., a Delaware
corporation

By: [Signature]
Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(St. Cloud) INC., a Delaware
corporation

By: [Signature]
Its: PRESIDENT

\$1,500,000.00

MARCH 15, 2001

PROMISSORY NOTE

FOR VALUABLE CONSIDERATION RECEIVED, Summa Management, Inc., a Delaware corporation, Carefree Living of America (Brainerd), Inc., a Delaware corporation, Carefree Living of America (Burnsville), Inc., a Delaware corporation, Carefree Living of America (St. Cloud), Inc., a Delaware corporation, Carefree Living of America (Minnetonka), Inc., a Delaware corporation, (collectively called "Maker"), jointly and severally hereby promise to pay to Mahoney & Hagberg, A Professional Association ("Holder"), its successors and assigns, at Holder's office at 109 Bushaway Road, Wayzata, Minnesota, or at any other place designated by the Holder hereof the principal sum of One Million Five Hundred Thousand Dollars (\$1,500,000) or, if less, the aggregate unpaid amount of all fees, costs and advances made by Holder to the Maker and its present or past affiliates together with interest (calculated on the basis of actual days elapsed) on the unpaid principal hereof, from the date of this Note until this Note is fully paid in the following manner and upon the following terms and conditions:

1. Payment. This Note shall be payable upon demand, at which time all unpaid principal and accrued and unpaid interest shall become due and payable in full.
2. Prepayment. This Note may be prepaid in whole or in part at any time provided that any such prepayment shall be applied first to accrued interest with the remainder applied to reduction of principal. Any extension of time for the payment of the principal of the Note resulting from the due date falling on a Saturday, Sunday or legal holiday shall be included in the computation of interest.
3. Interest. Interest shall accrue on this Note at the rate of eight (8%) Percent per annum.
4. Default. If payments are not paid when due, or if any other indebtedness of either Maker to the Holder is not paid when due, or if a garnishment summons or a writ of attachment is issued against or served upon the Holder for the attachment of any property of either Maker in the Holder's possession or any indebtedness owing to either Maker, Holder may, at its option, declare this Note to be immediately due and payable and thereupon the Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice of demand. This Note shall also become automatically due and payable (including unpaid interest accrued hereon) without notice or demand should either Maker die or should a petition be filed by or against either Maker under the United States Bankruptcy Code or any other law relating to insolvency, reorganization, receivership or relief of debtors. If this Note is not paid on the due date or any event occurs that would entitle the Holder to declare this Note to be immediately due and payable, Maker agrees to pay all costs of collection, including attorneys fees, and the Holder shall have the right to set off the indebtedness evidenced by this Note against any indebtedness of the Holder to Maker, to file any Confessions of Judgment executed by either Maker, and to take any other action authorized by law Holder deems appropriate to collect the sums due under this Note. Presentment or other demand for payment, notice or dishonor and protest are hereby waived by Maker.

5. Notice of Default. If Maker shall default by failing to perform the obligations imposed by this Note, then the Holder shall give notice to the Maker of default and if the default is not cured within ten days from the sending of such notice, then the full indebtedness represented by this Note shall become immediately due and payable. The Holder shall take no action against either Maker and shall commence no proceedings for collection until the expiration of such notice.
6. Waiver. Maker waives demand, presentment, notice of nonpayment of dishonor, protest and notice of protest, and agrees that they shall continue to remain liable to pay the unpaid balance of the indebtedness evidenced by this Note as extended, renewed, or modified. Maker further agrees to pay all costs of collection, including reasonable attorney's fees, in case any payment due hereunder shall not be made when due or other default occur.
7. Miscellaneous.
 - a. Notices. All notices required pursuant to the terms of this Note shall be in writing and either delivered personally or sent by United States mail. If sent by mail, notice shall be deemed given when deposited in the U.S. Mail, properly addressed and with postage prepaid. Unless changed by written notice, the following addresses shall be used:

Carefree Living of America (Minnetonka), Inc.
14505 Minnetonka Drive
Minnetonka, Minnesota 55345
 - b. Governing Law. This Note shall be construed and interpreted and enforced in accordance with the laws of the State of Minnesota, without regard to principles of conflicts of law.
 - c. Binding Effect. Except as herein otherwise provided to the contrary, this Note shall be binding upon, and inure to the benefit of, the parties and the respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, this Note has been executed to be effective as of the 15th day of March, 2001

SUMMA MANAGEMENT, INC.

By: Kathleen L. Zeller
KATHLEEN L. ZELLER

Its: President

CAREFREE LIVING OF AMERICA

(BRAINERD), INC.

By: Kathleen L. Zeller
KATHLEEN L. ZELLER

Its: President

CAREFREE LIVING OF AMERICA
(BURNSVILLE), INC.

By: Kathleen L. Zeller
KATHLEEN L. ZELLER

Its: President

CAREFREE LIVING OF AMERICA
(ST. CLOUD), INC.

By: Kathleen L. Zeller
KATHLEEN L. ZELLER

Its: President

\$62,160.35

PROMISSORY NOTE

January 15, 2001

FOR VALUABLE CONSIDERATION RECEIVED, Carefree Living of America (Burnsville), Inc., a Delaware corporation, having an address of 600 Nicollet Court, Burnsville, Minnesota 55377, Carefree Living of America (Brainerd), Inc., a Delaware corporation, having an address of 2723 East Oak Street, Brainerd, Minnesota 56401, Carefree Living of America (St. Cloud), Inc., a Delaware corporation, having an address of 1225 Division Street, St. Cloud, Minnesota 56304 and Carefree Living of America (Minnetonka), Inc., a Delaware corporation, having an address of 14505 Minnetonka Drive, Minnetonka, Minnesota 55345, jointly and severally (collectively referred to as the "Maker"), hereby promises to pay to the Jane L. Strom Revocable Trust U/A October 28, 1998 ("Holder"), and Holder's successors and assigns at Holder's office at 109 Bushaway Road, Wayzata, Minnesota 55391, or at any other place designated by the Holder hereof the principal sum of Sixty-Two Thousand One Hundred and Sixty and 35/100 Dollars (\$62,160.35) together with interest (calculated on the basis of actual days elapsed) on the unpaid principal hereof, from the date of this Note until this Note is fully paid in the following manner and upon the following terms and conditions:

1. Payment. This Note shall be payable in consecutive monthly installments of Three Thousand Dollars (\$3,000) in principal, plus all accrued and unpaid interest commencing on the 15th day of February, 2001, and continuing until the 15th day of September, 2001. On October 1, 2001, Maker shall pay Holder one-half of all unpaid principal and accrued and unpaid interest. On November 1, 2001 all unpaid principal and accrued and unpaid interest shall become due and payable in full. Notwithstanding the foregoing, in the event that any Maker obtains refinancing in the aggregate in excess of Thirteen Million Dollars (\$13,000,000), or any affiliate of any Maker obtains such financing for the benefit of any Maker, all unpaid principal and accrued and unpaid interest shall immediately become due and payable in full.
2. Prepayment. This Note may be prepaid in whole or in part at any time provided that any such prepayment shall be applied first to accrued interest with the remainder applied to reduction of principal. Any extension of time for the payment of the principal of the Note resulting from the due date falling on a Saturday, Sunday or legal holiday shall be included in the computation of interest.
3. Interest. Interest shall accrue on this Note at the rate of Twenty-Two (22%) Percent per annum.
4. Default. If payments are not paid when due, or if any other indebtedness of Maker to the Holder is not paid when due, or if any Maker sells all or substantially of its assets, or secures financing in the aggregate in excess of Thirteen Million Dollars (\$13,000,000), or if a garnishment summons or a writ of attachment is issued against to served upon the Holder for the attachment of any property of either Maker in the Holder's possession or any indebtedness owing to either Maker, Holder may, at its option, declare this Note to be immediately due any payable and thereupon the Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice of demand. This

Note shall also become automatically due and payable (including unpaid interest accrued hereon) without notice or demand should either Maker die or should a petition be filed by or against either Maker under the United States Bankruptcy Code or any other law relating to insolvency, reorganization, receivership or relief of debtors. If this Note is not paid on the due date or any event occurs that would entitle the Holder to declare this Note to be immediately due and payable, Maker agrees to pay all costs of collection, including attorneys fees, and the Holder shall have the right to set off the indebtedness evidenced by this Note against any indebtedness of the Holder to Maker, to file any Confessions of Judgment executed by either Maker, and to take any other action authorized by law Holder deems appropriate to collect the sums due under this Note. Presentment or other demand for payment, notice or dishonor and protest are hereby waived by Maker.

5. Notice of Default. If Maker shall default by failing to perform the obligations imposed by this Note, then the Holder shall give notice to the Maker of default and if the default is not cured within ten days from the sending of such notice, then the full indebtedness represented by this Note shall become immediately due and payable. The Holder shall take no action against either Maker and shall commence no proceedings for collection until the expiration of such notice.
6. Waiver. Maker waives demand, presentment, notice of nonpayment of dishonor, protest and notice of protest, and agrees that they shall continue to remain liable to pay the unpaid balance of the indebtedness evidence by this Note as extended, renewed, or modified. Maker further agrees to pay all costs of collection, including reasonable attorney's fees, in case any payment due hereunder shall not be made when due or other default occur.
7. Miscellaneous.
 - a. Notices. All notices required pursuant to the terms of this Note shall be in writing and either delivered personally or sent by United States mail. If sent by mail, notice shall be deemed given when deposited in the U.S. Mail, properly addressed and with postage prepaid. Unless changed by written notice, the following addresses shall be used:

Carefree Living of America (Burnsville), Inc.,
600 Nicollet Court
Burnsville, Minnesota 55377

Carefree Living of America (Brainerd), Inc.,
2723 East Oak Street,
Brainerd, Minnesota 56401

Carefree Living of America (St. Cloud), Inc.
1225 Division Street, St. Cloud
St. Cloud, Minnesota 56304

Carefree Living of America (Minnetonka), Inc.,
14505 Minnetonka Drive
Minnetonka, Minnesota 55345

Jane L. Strom Revocable Trust U/A October 28, 1998
109 Bushaway Road
Wayzata, Minnesota 55391

- b. Governing Law. This Note shall be construed and interpreted and enforced in accordance with the laws of the State of Minnesota, without regard to principles of conflicts of law.
- c. Binding Effect. Except as herein otherwise provided to the contrary, this Note shall be binding upon, and inure to the benefit of, the parties and the respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, this Note has been executed to be effective as of the 15th day of January, 2001

CAREFREE LIVING OF AMERICA
(BURNSVILLE), INC.

By: Kaspar
Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(BRAINERD), INC.

By: Kaspar
Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(ST. CLOUD), INC.

By: Kaspar
Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(MINNETONKA), INC.

By: Kaspar
Its: PRESIDENT

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM
Name of Debtor Carefree Living of America (Burnsville) Inc.	Case Number 01-33545	RECEIVED 01 NOV -1 AM 9:25 U.S. BANKRUPTCY COURT ST. PAUL, MN
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>		
Name of Creditor (The person or other entity to whom the debtor owes money or property): DAVID J BROBERG Name and Address where notices should be sent: DAVID J BROBERG C/O LANO NELSON O TOOLE & BENGSTON 515 N2-2ND AVENUE GRAND RAPIDS MN 55744	<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Telephone Number:	Check here if <input type="checkbox"/> replaces this claim <input type="checkbox"/> amends a previously filed claim, dated _____	
Account or other number by which creditor identifies debtor: 99206	1. Basis for Claim <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other <u>Sale of business to predecessor entity</u>	<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your SS #: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)
2. Date debt was incurred: Judgment confirmed old debt.	3. If court judgment, date obtained: March 15, 2001	
4. Total Amount of Claim at Time Case Filed: If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges. ***This is a joint obligation of 3 entities to be administered jointly.	<u>\$ 61,481.13</u> as shown below	
5. Secured Claim. <input checked="" type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input checked="" type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ <u>Unknown to claimant</u> Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ <u>3,000</u>	6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$ 2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). *Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.	
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.	SEND CLAIM TO: U.S. BANKRUPTCY COURT 200 U.S. COURTHOUSE 316 NORTH ROBERT STREET ST. PAUL, MN 55101	
8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.		
9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		
Date 10-30-01	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): <u>Dennis L. O'Toole, Atty for David J. Broberg & Mary Lee Sutton</u>	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both 18 U.S.C. §§ 152 and 1571.		

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF ITASCA

NINTH JUDICIAL DISTRICT

David J. Broberg and
Mary Lee Sutton,

Court File No. C5-00-79

Plaintiffs,

vs.

Summa Management, Inc.

Defendant.

and

**In the Matter of the Confession
of Judgment by:**

JUDGMENT

Carefree Living of America
(Brainerd); Inc., Carefree
Living of America (St. Cloud),
Inc., and Carefree Living of
America (Burnsville), Inc.,

Defendants,

in Favor of:

David J. Broberg and
Mary Lee Sutton,

Plaintiffs.

Upon filing of the verified Confession of Judgment made by Carefree Living of America (Brainerd), Inc., Carefree Living of America (St. Cloud), Inc. and Carefree Living of America (Burnsville), Inc., Defendants herein.

IT IS HEREBY ADJUDGED, DETERMINED AND DECREED:

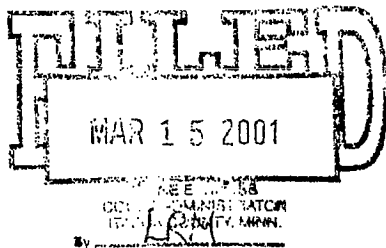
That Plaintiffs herein, David J. Broberg and Mary Lee Sutton, have judgment against the Defendants herein, Carefree Living of America (Brainerd), Inc., Carefree Living of America (St. Cloud), Inc. and Carefree Living of America (Burnsville), Inc., in the amount of \$62,539.68, the amount set forth in said Confession of Judgment and that defendant Summa Management, Inc. is hereby dismissed with prejudice in the above-captioned matter.

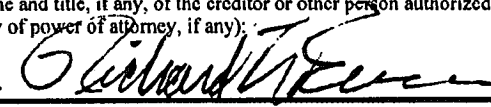
Dated: March 15, 2001.

BY THE COURT:

Diane E. Gross
Court Administrator

Linda L. Machen
Deputy Court Administrator
Itasca County, Minnesota



UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA		PROOF OF CLAIM
Name of Debtor: Carefree Living of America (Burnsville) Inc		Case Number: 01-33545
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor: (The person or entity to whom the debtor owes money or property) William Howard Name and address where notices should be sent: Richard Evans McGrann Shea 800 Nicollet Mall, Suite 2600 Minneapolis, MN 55402-7035 Telephone Number: 612-338-2525		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court
Account or other number by which creditor identifies debtor:		Check here if this claim: <input type="checkbox"/> replaces <input type="checkbox"/> amends a previously filed court claim, dated: _____
1. Basis for Claim: <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other <u>Promissory Notes, Interest, Expenses</u> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensations (Fill out below) Your SS# _____ Unpaid compensations for services performed from _____ to _____ <div style="display: flex; justify-content: space-between; width: 100%;"> (date) (date) </div> </div> </div>		
2. Date debt was incurred: 02/12/2000 – PRESENT		3. If court judgment, date obtained:
4. Total Amount of Claim at Time Case Filed: \$ <u>193,030</u> If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____		6. Unsecured Priority Claim <input type="checkbox"/> Check this box if you have an unsecured priority claim. Amount entitled to priority claim \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650*), earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3) <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4) <input type="checkbox"/> Up to \$2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6) <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7) <input type="checkbox"/> Taxes or other penalties of governmental units - 11 U.S.C. § 507(a)(8) <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a) _____ <small>*Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</small>
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. 8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. 9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		SEND CLAIMS TO: U.S. BANKRUPTCY COURT 200 U.S. COURTHOUSE 316 NORTH ROBERT STREET ST. PAUL, MN
Date <u>1-8-02</u>	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): Richard L Evans, Esq. 	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.		

For CHAPTER 7, 11 or 12 CASES filed on or after April 1, 2001

MAHONEY & HAGBERG

A PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

109 BUSHAWAY ROAD
MINNEAPOLIS, MINNESOTA 55391
TELEPHONE (612) 332-2225
FACSIMILE (612) 332-8066

VIA FACSIMILE

July 19, 2001

Robert O. Straughn, Esq.
McGrann, Shea
800 Nicollet Mall, Suite 2600
Minneapolis, MN 55402

Re: William J. Howard Notes

Dear Bob:

I met with Kate Zeller and Bill Howard on Tuesday. Among other things, Bill and Kate discussed the notes and amounts due and came to an agreement on the total sum presently due. They agreed that, at present, the aggregate sum of \$489,050. is the principal balance due and that interest has been paid current as agreed. However, after working through the specific notes, I believe that the following notes represent the present unpaid obligations (copies are attached):

<u>Date</u>	<u>Maker(s)</u>	<u>Original Amount</u>
March 1, 2000	Carefree Living of America (Minnetonka), Inc.	\$330,000
September 1, 2000	Carefree Living of America (Burnsville), Inc., Carefree Living of America (Brainerd), Inc. and Carefree Living of America (St. Cloud), Inc.	37,500
January 18, 2001	All of the above entities	117,875

Bill's list, (contains notes by me), also attached, reflects three loans in the amounts of \$50,000, \$100,000 and \$180,000. I understand that these loans were consolidated into the \$330,000 note. What was not included in the \$330,000 note, however was the \$7,500 interest sum set forth in the \$50,000 note that was due February 12, 2000. Bill and Kate then agreed that the following sums remain under the above notes and other obligations:

July 19, 2001

March 1, 2000 Note:	\$330,000
Additional interest (see above):	7,500
Reimbursement for missed cruise:	6,800
January 18, 2001 Note:	117,875
Less: Principal payment:	(20,000)
September 1, 2000 Note:	37,500
Fee for September 1, 2000 Note:	<u>9,375</u>

Principal sum agreed upon to be due \$489,050

Interest has been paid, not to date, but currently.

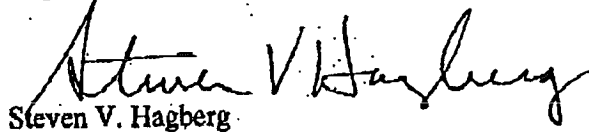
The Note dated September 1, 2000, provides for payments of interest only with the entire balance due on January 15, 2001. Bill and Kate, however, have treated this as interest only and interest payments have been made as agreed. The Note dated March 1, 2000 is due on demand. Bill and Kate agreed that interest has been paid as agreed. The Note dated January 18, 2001, has not been paid as set forth in the Note. Apparently both Bill and Kate either agreed or assumed that only interest was required to be paid.

Kate is agreeable to securing the sums due with real estate mortgages securing the Notes from the respective makers. Alternatively, Bill and Kate discussed establishing one real estate mortgage from all the entities, providing for partial releases upon payment of the respective sums due.

Most, if not all the outstanding notes are personally guaranteed by Kate. She has asked for the release of her personal guaranty in exchange for the security offered in a mortgage. In addition, it seems to me that there is a consideration problem if we simply establish a real estate mortgage to secure the present notes. There needs to be some consideration. I suggest that the notes be renewed with new notes that would constitute a forbearance by Bill. In that way, the consideration issue would be covered.

Please contact me with your thoughts and comments.

Regards,


Steven V. Hagberg

SVH/st.

Enclosure

cc. Kathleen L. Zeller

\$37,500

PROMISSORY NOTE

September 1, 2000

FOR VALUABLE CONSIDERATION RECEIVED, Carefree Living of America (Burnsville), Inc., a Delaware corporation, having an address of 600 Nicollet Court, Burnsville, Minnesota 55377, Carefree Living of America (Brainerd), Inc., a Delaware corporation, having an address of 2723 East Oak Street, Brainerd, Minnesota 56401, Carefree Living of America (St. Cloud), Inc., a Delaware corporation, having an address of 1225 Division Street, St. Cloud, Minnesota 56304, jointly and severally (collectively, the "Maker"), hereby promises to pay to William J. Howard ("Holder"), at Holder's office at 11713 Krestwood Drive, Burnsville, Minnesota 55337, or at any other place designated by the Holder hereof the principal sum of Thirty Seven Thousand Five Hundred Dollars (\$37,500.00) together with interest (calculated on the basis of actual days elapsed) on the unpaid principal hereof, and fee in the amount of Nine Thousand Three Hundred and Seventy Five Dollars (\$9,375) from the date of this Note until this Note is fully paid in the following manner and upon the following terms and conditions:

1. Payment. This Note shall be payable in consecutive monthly installments of Six Hundred and Eighty Seven Dollars and Fifty Cents (\$687.50) commencing on the fifteenth day of September, 2000 and on the fifteenth day of each month thereafter until the fifteenth day of January, 2001 at which time all unpaid principal, accrued and unpaid interest, and fees shall become due and payable in full. Notwithstanding any language to the contrary, all sums due hereunder shall be paid in full from the proceeds of any financing by the Maker in the aggregate in excess of \$13,000,000.00.
2. Prepayment. This Note may be prepaid in whole or in part at any time provided that any such prepayment shall be applied first to accrued interest with the remainder applied to reduction of principal. Any extension of time for the payment of the principal of the Note resulting from the due date falling on a Saturday, Sunday or legal holiday shall be included in the computation of interest.
3. Interest. Interest shall accrue on this Note at the rate of Twenty (22%) Percent per annum.
4. Events of Default. If payments are not paid when due, or if any other indebtedness of Maker to the Holder is not paid when due, or if Maker sells all or substantially all of their assets or secures financing in the aggregate in excess of Thirteen Million Dollars (\$13,000,000.00), or if a garnishment summons or a writ of attachment is issued against and served upon the Holder for the attachment of any property of Maker in the Holder's possession or any indebtedness owing to Maker, Holder may, at his option, declare this Note to be immediately due and payable and thereupon the Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice of demand. This Note shall also become automatically due and payable (including unpaid interest accrued hereon) without notice or demand should Maker die or should a petition be filed by or against Maker under the United States Bankruptcy Code or any other law relating to insolvency, reorganization, receivership or relief of debtors. If this Note is not paid on the due date or any event occurs that would entitle the Holder to declare this Note

to be immediately due and payable, Maker agrees to pay all costs of collection, including attorneys fees, and the Holder shall have the right to set off the indebtedness evidenced by this Note against any indebtedness of the Holder to Maker, to file any Confessions of Judgment executed by Maker, and to take any other action authorized by law Holder deems appropriate to collect the sums due under this Note. Presentment or other demand for payment, notice or dishonor and protest are hereby waived by Maker.

5. Notice of Default. If Maker shall default by failing to perform the obligations imposed by this Note, then the Holder shall give notice to the Maker of default, and if the default is not cured within thirty days from the receipt of such notice by Maker, then the full indebtedness represented by this Note shall become immediately due and payable. The Holder shall take no action against either Maker and shall commence no proceedings for collection until the expiration of such notice.
6. Extension; Payment of Costs of Collection. Maker shall continue to remain liable to pay the unpaid balance of the indebtedness evidenced by this Note as extended, renewed, or modified. Maker further agrees to pay all costs of collection, including reasonable attorney's fees, in case any payment due hereunder shall not be made when due or other default occur.
7. Miscellaneous.
 - a. Notices. All notices required pursuant to the terms of this Note shall be in writing and either delivered personally or sent by United States mail. If sent by mail, notice shall be deemed given when deposited in the U.S. Mail, properly addressed and with postage prepaid. Unless changed by written notice, the addresses provided above shall be used to notify Maker.
 - b. Governing Law. This Note shall be construed and interpreted and enforced in accordance with the laws of the State of Minnesota, without regard to principles of conflicts of law.
 - c. Binding Effect. Except as herein otherwise provided to the contrary, this Note shall be binding upon, and inure to the benefit of, the parties and the respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, this Note has been executed to be effective as of the 1st day of September, 2000

MAKER:

CAREFREE LIVING OF AMERICA
(BURNSVILLE) INC., a Delaware
corporation

By: [Signature]

Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(Brainerd) INC., a Delaware
corporation

By: [Signature]

Its: PRESIDENT

CAREFREE LIVING OF AMERICA
(St. Cloud) INC., a Delaware
corporation

By: [Signature]

Its: PRESIDENT

PROMISSORY NOTE

\$117,875.00

January 18, 2001

FOR VALUE RECEIVED, the undersigned, Carefree Living of America (Minnetonka), Inc., Carefree Living of America (Burnsville), Inc., Carefree Living of America (Brainerd), Inc., and Carefree Living of America (St. Cloud), Inc., all Delaware corporations (the "Borrowers"), promise to pay to the order of William J. Howard (the "Lender") at 13713 Knottwood Drive, Burnsville, Minnesota 55337, the sum of One Hundred Seventeen Thousand Eight Hundred Seventy-Five Dollars (\$117,875.00) together with interest at the rate of twenty-four percent (24%) per annum in twelve (12) equal monthly installments of \$5,232.18 each commencing on March 31, 2001 and continuing on the last day of each month thereafter until April 1, 2002 when the entire remaining unpaid balance together with any accrued but unpaid interest shall be due and payable in full.

This Note is made under the terms and provisions of a certain Loan Agreement and Guaranty of Katherine L. Zeller and of even date hereto, and the holder thereof is entitled to all the benefits provided for in said Agreements, or referred to therein, to which Agreements reference is made for a statement of the terms and conditions under which this indebtedness was incurred and is to be repaid and under which the due date of this Note may be accelerated. The provisions of the Agreements are incorporated by reference herein with the same force and effect as if fully set forth herein.

Payments hereunder shall be applied first to accrued interest and the remainder to principal.

Upon the occurrence at any time of any Event of Default, as defined in the Agreements, Borrower promises to pay all costs of collection, including but not limited to reasonable attorney's fees, incurred by the Lender on account of such collection, whether or not suit is filed hereon.

CAREFREE LIVING OF AMERICA
(MINNETONKA), INC.

By: 
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(BURNSVILLE), INC.

By: 
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(BRAINERD), INC.

By: _____

Kathleen L. Zeller
Kathleen L. Zeller
Its: President

CAREFREE LIVING OF AMERICA
(ST. CLOUD), INC.

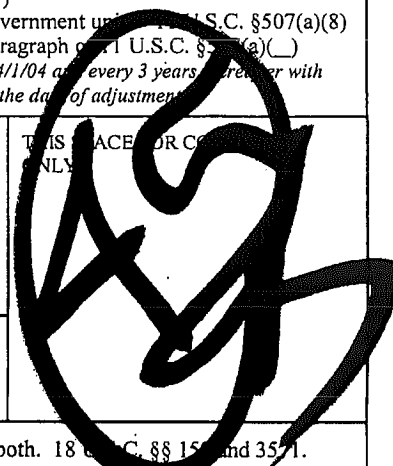
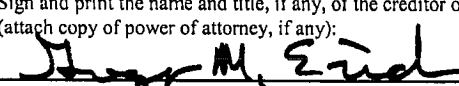
By: _____

Kathleen L. Zeller
Kathleen L. Zeller
Its: President

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM	
Name of Debtor Carefree Living of America (Burnsville), Inc.		Case Number 01-33545	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" of payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		<div>RECEIVED 02 JAN 09 PM 1:36 US BANKRUPTCY COURT ST PAUL MN</div> <div>THIS SPACE IS FOR COURT USE ONLY</div>	
Name of Creditor (The person or entity to whom the debtor owes money or property) Hinshaw & Culbertson			
Name and Address Where Notices Should be Sent Paul B. Jones, Esq. Fredrikson & Byron, P.A. 1100 International Centre 900 Second Avenue South Minneapolis MN 55402 (612) -347-7000		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Account or other number by which creditor identifies Debtor.		Check here if this claim: <input type="checkbox"/> replaces <input type="checkbox"/> amends a previously filed claim, dated:	
1. Basis For Claim: <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other (Describe briefly) ATTORNEYS' FEES PURSUANT TO SETTLEMENT AGREEMENT		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries and compensation (Fill out below) Your social security number: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)	
2. Date Debt Was Incurred August 1997 – August 21, 2001		3. If Court Judgment, Date Obtained: May 11, 1998	
4. Total Amount of Claim at Time Case Filed: \$ 43,915.94 (plus accruing interest and attorneys' fees) If all or part of your claim is secured or entitled to priority, also complete Item 5 of 6 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.			
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including right of setoff). Brief description of collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other <u>Accounts and other business assets</u> Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____		6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ <input type="checkbox"/> Wages, salaries or commissions (up to \$4,300)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$1,950* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7) <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). <i>*Amounts are subject to adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</i>	
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.		<div>SEND CLAIM TO:</div> <div>Clerk of Court United States Bankruptcy Court 1100 International Centre St. Paul, MN 55102 Robert M. Sweet 612-347-1510</div> <div></div>	
8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. See attached <u>Schedule A</u> . 9. Date Stamped Copy: To receive an acknowledgement of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.			
Date January 8, 2002	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any) Paul B. Jones, Attorney for Hinshaw & Culbertson		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. § 152 and 11 U.S.C. § 542.			

Schedule A to Proof of Claim of Hinshaw & Culbertson

Debtors' joint obligations arose pursuant to a Settlement Agreement among Debtors of Limited Partners of certain Limited Partnerships which Limited Partnerships sold all or substantially all of said Limited Partnerships' assets to the Debtors. The Settlement Agreement provided for payment of \$60,000.00 in attorneys' fees to Hinshaw & Culbertson for legal work done on behalf of the Limited Partners of which \$16,084.06 has been paid.

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (St. Paul)		PROOF OF CLAIM
Name of Debtor Carefree Living of America (St. Cloud), Inc.		Case Number: 01-33546
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. §503.		
Name of Creditor (The person or other entity to whom the debtor owes money or property) Rider, Bennett, Egan & Arundel, LLP		<div>RECEIVED</div> <div>02 JAN 04 AM 9:36</div> <div>U.S. BANKRUPTCY COURT ST. PAUL, MN</div> <div>THIS SPACE FOR COURT USE ONLY</div>
Name and Address where notices should be sent: c/o Gregory M. Erickson, Esq. Rider, Bennett, Egan & Arundel, LLP 333 South Seventh Street, Suite 2000 Minneapolis, MN 55402 Telephone number: (612) 340-7916		
<input type="checkbox"/> Check box if you are aware that anyone has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.		
Account or other number by which creditor identifies debtor:		Check here <input type="checkbox"/> replaces if this claim a previously filed claim, dated _____ <input type="checkbox"/> amends
1. Basis for Claim <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other: _____		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. §114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your SS#: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)
2. Date debt was incurred: June 1999 to June, 2001		3. If court judgment, date obtained:
4. Total Amount of Claim at Time Case Filed: \$ <u>33,641.12</u> If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____		6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507(a)(3) <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4) <input type="checkbox"/> Up to \$2,100* of deposits toward purchase, lease or rental of property or services for personal, family, or household use - 11 U.S.C. §507(a)(6) <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. §507(a)(7) <input type="checkbox"/> Taxes or penalties owed to government unit - 11 U.S.C. §507(a)(8) <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507(a)(9) _____ *Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. 8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. 9. Time-Stamped Copy: To receive an acknowledgment of the filing of the claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		<div>THIS SPACE FOR COURT USE ONLY</div> 
Date: 1-29	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):  Gregory M. Erickson, Esq.	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 1593 and 3571.		



RIDER BENNETT
EGAN & ARUNDEL

Gregory M. Erickson
(612) 340-8929
gmericks@riderlaw.com

January 29, 2002

Clerk of U.S. Bankruptcy Court
ATTN: Barbie
200 U.S. Courthouse
316 North Robert Street
St. Paul, MN 55101

Re: Carefree Living of America (St. Cloud), Inc.
Chapter 11 - BKY 01-33546

Dear Sir or Madam:

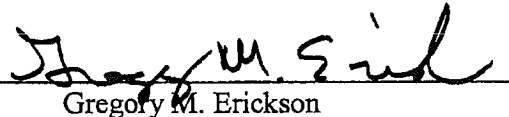
Enclosed for filing please find a duplicate original Proof of Claim which was previously submitted with a claim in the case Carefree Living of America (Brainerd), Inc., 01-33547. As was explained to you, apparently the person that received our Proofs of Claim in your office failed to realize that there were two separate claims, one for Carefree Living of America (St. Cloud), Inc., and one for Carefree Living of America (Brainerd), Inc. Accordingly, it is my understanding you have agreed to mark this claim as being filed on January 4, 2002.

Thank you for your consideration and please feel free to contact me if you have any questions concerning this.

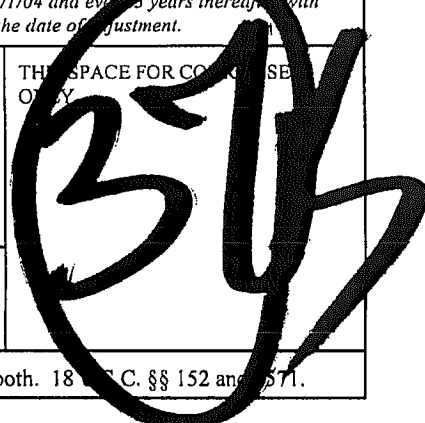
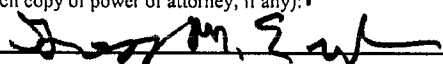
Very truly yours,

RIDER, BENNETT, EGAN & ARUNDEL, LLP

By


Gregory M. Erickson

GME/tlw
enclosures

UNITED STATES BANKRUPTCY COURT _____ DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM
Name of Debtor Carefree Living of America (Brainerd), Inc.		Case Number: 01-33547
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. §503.		
Name of Creditor (The person or other entity to whom the debtor owes money or property) Rider, Bennett, Egan & Arundel, LLP		<div style="text-align: center;"> RECEIVED 02 JAN -4 AM 10:11 U.S. BANKRUPTCY COURT ST. PAUL, MN </div> <div style="text-align: center;"> THIS SPACE FOR COURT USE ONLY </div>
Name and Address where notices should be sent: c/o Gregory M. Erickson, Esq. Rider, Bennett, Egan & Arundel, LLP 333 South Seventh Street, Suite 2000 Minneapolis, MN 55402 Telephone number: (612) 340-7916		
Account or other number by which creditor identifies debtor:		Check here <input type="checkbox"/> replaces if this claim a previously filed claim, dated _____ <input type="checkbox"/> amends
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> 1. Basis for Claim <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other: _____ </div> <div style="width: 50%;"> <input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. §114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your SS#: _____ Unpaid compensation for services performed from _____ to _____ (date) (date) </div> </div>		
2. Date debt was incurred: June 1999 to June, 2001		3. If court judgment, date obtained:
4. Total Amount of Claim at Time Case Filed: \$ <u>33,641.12</u> If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____		6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650),* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507(a)(3) <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507(a)(4) <input type="checkbox"/> Up to \$2,100* of deposits toward purchase, lease or rental of property or services for personal, family, or household use - 11 U.S.C. §507(a)(6) <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. §507(a)(7) <input type="checkbox"/> Taxes or penalties owed to government units - 11 U.S.C. §507(a)(8) <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507(a)() _____ <small>*Amounts are subject to adjustment on 4/1/04 and every 5 years thereafter, with respect to cases commenced on or after the date of adjustment.</small>
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. 8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. 9. Time-Stamped Copy: To receive an acknowledgment of the filing of the claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		THIS SPACE FOR COURT USE ONLY 
Date: <u>1-7-02</u> Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):  Gregory M. Erickson, Esq.		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 1571.		

RIDER, BENNETT, EGAN & ARUNDEL, LLP

A Professional Limited Liability Partnership

Attorneys at Law

WILLIAM T. EGAN
EDWARD M. ARUNDEL
DONALD R. BACKSTROM
DAVID F. FITZGERALD
LARRY R. HENNEMAN*
JOHN P. FLATEN
DAYTON E. SOBY
DAVID J. BYRON
RICHARD J. NYGAARD
J. DENNIS O'BRIEN*
STEVEN KLJUZ, SR.
RICHARD H. KROCHOCK
GENE C. OLSON
JEFFREY R. SCHMIDT*
GREGORY M. WEYANDT*
ERIC J. MAGNUSON*
RONALD B. LAHNER*
JOHN B. LUNSETH II
GENE H. HENNIG
SHERYL RAMSTAD HVASS
R. THOMAS GREENE, JR.
MARK W. SCHNEIDER*
PATRICK J. SAUTER
PATRICIA ANN BURKE
DAVID B. DEAN
STEVEN B. SCHMIDT
BRIAN A. WOOD*

ANN BARRY BURNS*
BARRY F. CLEGG
JANE S. WELCH
STEPHEN P. WATTERS
LESLIE M. ALTMAN*
JEANNE H. UNGER
LOUISE DOVRE BJORKMAN
JILL FLASKAMP HALBROOKS
JAMES L. FORMAN
JEFFREY D. CARPENTER
ROBERT B. JASKOWIAK*
JAN M. GUNDERSON
ANDREA S. BRECKNER
WILLIAM J. EGAN
PATRICK J. ROONEY*
TIMOTHY J. PAWLENTY
JOHN D. THOMPSON
JACKIE VENCIL PRYOR
NELL E. MATTHEWS*
PAMELA M. HARRIS
TERRI GROEN DUCHENES
MAX C. RAMSEY III
DEBORAH C. ECKLAND
STANLEY E. SIEGEL, JR.
KRISTEN PAULSON GIBBONS
RANDALL H. LENTZ
STEPHEN O. PLUNKETT

LAURA TUBBS BOOTH
DANIEL G. PORETTI*
MARK A. SOLHEIM*
MICHAEL M. SULLIVAN
JOHN M. BJORKMAN
TIMOTHY J. NOLAN
MARK A. FREDRICKSON
DAVID D. KUHLL
TRACY F. KOCHENDORFER
THOMAS J. HOBEN
DALE L. DEITCHLER
BEN C. CAMPBELL
MARK A. MITCHELL
DAVID A. SCHOOLER
KAREN IMUS JOHNSON
MICHAEL J. MCGUIRE
WILLIAM P. WASSWEILER
KAREN A. JANISCH
THOMAS J. WOESSNER
BARBARA B. BLOOM
JOSEPH S. LAWDER
DAN J. GENDREAU*
RICHARD C. SCATTERGOOD
DOREEN A. MOHS
CHAD T. JERDEE
MARC A. AL
JOHN J. WACKMAN

ERNEST W. GRUMBLES III*
CHRISTOPHER M. MCGLINCEY
KATHY S. KIMMEL
BRIAN KEITH JACKSON
JENNIFER A. KRAFT
JOHN M. MALONE
CHARLES A. ROACH
TODD P. ZETTLER
JAMES M. CLAY
ALAN E. LINK
JACK G. RICE
LISA A. RYDLAND
JENNIFER L. BEENS
ERNEST P. SHRIVER
KRISTIN J. ALLARD
JAMES D. LAMM

GENE F. BENNETT
(1926-1983)

OF COUNSEL
STUART W. RIDER, JR.
DOUGLAS K. AMDAHL
JEROME S. YUGEND
ROBERT L. BULLARD

*ALSO ADMITTED IN WISCONSIN

2000 Metropolitan Centre
333 South Seventh Street
Minneapolis, Minnesota 55402

Telephone (612) 340-7951
Fax (612) 340-7900

Writer's Direct Dial Number
612/340-7916

April 23, 1998

Ms. Kathleen Zeller
Summa Management, Inc.
c/o Carefree Living of America
14505 Minnetonka Drive
Minnetonka, MN 55345

Re: Agreement for Legal Services

Dear Ms. Zeller:

We are pleased that you, in your capacity as President of the companies listed on Schedule A attached hereto (the "companies"), have asked our firm to serve as bankruptcy and special litigation counsel for the companies. This letter will confirm our discussion with you regarding the engagement of our firm as counsel for the companies and will describe the basis on which our firm will provide legal services to the companies.

We wish to confirm the following provisions governing our engagement. Henceforth, the terms "you" or "your" shall mean and include you in your capacity as President of each of the companies. The terms "you" or "your" shall not mean or include you or any officer, director or shareholder of any of the companies in your or their individual or personal capacities, nor shall it include any affiliate or any present or former counsel to any of the companies.

1. Client; Scope of Representation. Our client in this matter shall be solely and exclusively the companies. We shall be engaged to advise the companies, by and through you as President of the companies, solely in connection with matters related to the bankruptcy proceeding pending with respect to Willnard L. Selbak, and in connection with state or federal court litigation involving the companies where we are specifically requested by the companies to formally appear in the litigation. To date, we have not been asked to formally appear in any state or federal court litigation involving the companies. You may limit or expand the scope of our representation from time to time, provided

RIDER, BENNETT, EGAN & ARUNDEL, LLP

Ms. Kathleen Zeller

April 23, 1998

Page 2

that any expansion of the scope of our engagement must be agreed to by us in writing.

2. Attorney-Client Relationship. It is recognized and understood that the sole and exclusive attorney-client relationship being established here is between this firm and each of the companies.

3. Terms of Engagement. Either you or this firm may terminate the engagement at any time for any reason by written notice, subject on our part to applicable rules of professional conduct. In the event that we terminate the engagement, our only obligation will be to take such steps as are reasonably practicable to transfer the file (in accordance with the procedures set forth in the below paragraph, specifically including the procedures set forth therein concerning the photocopying of files and payment of the expense thereof) to new counsel you have chosen, or to the companies if you do not designate new counsel on a reasonably prompt basis. If permission for withdrawal is required by a court, you agree that you shall provide such permission. This is to acknowledge that if any of the companies wish to terminate our representation, it or they may do so, but that we may if requested, at our discretion, continue to represent the remaining companies, if that is its or their desire.

Unless previously terminated, our representation of the companies shall terminate upon our sending our final statement for services rendered in this matter. Following such termination, any otherwise nonpublic information you have supplied to us which is retained by us will be kept confidential in accordance with applicable rules of professional conduct. Upon your written request, your papers and property will be promptly returned to you. Upon your written request accompanied by payment for the expense of photocopying, you may have copies of the files we have created during the course of our engagement. The originals of the files we have created pertaining to the matter, including lawyer work product, will be retained by the firm. All such documents retained by the firm will be transferred to the person responsible for administering our records retention program. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such documents or other materials retained by us within a reasonable time after the termination of the engagement.

You are engaging the firm to provide legal services in connection with the matters referred to in Paragraph 1 above. After completion of these matters, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless a separate subsequent written agreement is reached between us providing for continuing responsibility for additional advice on issues arising from these matters, the firm shall have no continuing obligation to advise you with respect to future legal developments.

RIDER, BENNETT, EGAN & ARUNDEL, LLP

Ms. Kathleen Zeller

April 23, 1998

Page 3

4. **Communications.** You have expressly authorized us to communicate directly and separately (when necessary and appropriate) with you, Vern G. Zeller, and with general counsel to the companies, Mahoney, Hagberg & Rice, as we may deem appropriate in our sole discretion. Unless we are instructed otherwise in writing, we shall copy you, Vern G. Zeller, and general counsel to the companies on all important correspondence, documents and pleadings.

5. **Decision Making Authority.** As you know, it is necessary that many decisions be made by a client during the course of any legal representation. It is furthermore often the case that decisions need to be made on an expedited basis. It will undoubtedly be necessary and appropriate to present (verbally or in writing, as we deem appropriate) recommendations to the companies during the course of this engagement. The companies agree to make timely decisions and to communicate those decisions directly to us by and through a communication from you, or from such specifically designated person as you may appoint from time-to-time to make decisions for you during any period that you may be unavailable. You agree to inform us immediately if and when any such appointment is made. This is to further confirm that, as of the date of this letter, no such appointment has been made.

6. **Client Responsibilities.** To enable us to represent you effectively, you agree to cooperate fully with us in all matters relating to the case, and to fully and accurately disclose to us all facts and documents that may be relevant to the matter or that we may otherwise request. You agree to instruct all current and prior counsel to the companies to fully cooperate with us and to allow us full and complete access to all of their files and documents relative to this engagement. You also agree to timely pay our statements for services and expenses in accordance with Paragraph 7 below.

7. **Fees and Expenses.** I will serve as lead counsel from our firm for this engagement. My billing rate shall be \$220 per hour for calendar year 1998. It will be necessary and appropriate for me to utilize the services of other lawyers and legal assistants from the firm who shall bill this file at various hourly rates that shall not, in any event, exceed my billing rate then in existence for purposes of this file. Our billing rates are subject to change from time to time.

We will include on our statement separate charges for performing services such as photocopying, messenger and delivery service, computerized research, travel, long-distance telephone and telecopy, word processing, and search and filing fees. Fees and expenses of others (such as consultants, appraisers, and local counsel) generally will not be paid by us but will be billed directly to you.

For administrative convenience, all of our services will be billed to a single file entitled "Summa Management, Inc.", and, accordingly, we will not segregate or break down our services

RIDER, BENNETT, EGAN & ARUNDEL, LLP

Ms. Kathleen Zeller

April 23, 1998

Page 4

among the companies. In any event, however, it is hereby recognized that responsibility for payment of our services shall be the joint and several responsibility of each of the companies.

After discussion with you, we have decided to undertake this engagement on a budget billing basis. You have agreed to pay us \$7,500 (the "budget payment") on May 1, 1998, and on the first business day of each month thereafter as an advance payment of our fees and expenses. The budget payment shall be immediately deposited in our operating account (and not in our client trust account). We shall send you a detailed billing statement on approximately the tenth day of each month reflecting work done, and expenses incurred, in your behalf, the previous calendar month. Our statement shall also reflect the status of the accounting for the fees you have paid and our billings with reference thereto. If the accounting demonstrates that the budget payments have been insufficient to fully pay any of our statements, you shall pay the balance outstanding within 10 days of the date of the mailing of our statement.

If we do not receive payment as agreed, we reserve the right to withdraw from this engagement, or to withhold rendering further services, solely within our discretion.

As you no doubt know, the fees and costs relating to this matter are not predictable. Accordingly, we have made no commitment to you concerning the maximum fees and costs that will be necessary to resolve or complete this matter. It is also expressly understood that payment of the firm's fees and costs is in no way contingent on the ultimate outcome of the matter.

8. Conflicts. A conflict or conflicts may arise between or among the companies. This is to specifically evidence that we have called this possibility to your attention. You have pointed out that it is not economically or logistically feasible to have separate bankruptcy and special litigation counsel in behalf of each of the companies. Accordingly, this is to evidence that you have agreed to waive, in behalf of each of the companies, any conflict that is presently in existence, or that may arise in the future, between or among the companies, resulting, or that may result from our representation of each of the companies.

You are aware that the firm represents many other companies and individuals. It is possible that during the time we are representing the companies, some of our present or future clients may have issues with regard to the companies. You agree that we may continue to represent, or may undertake in the future to represent, existing or new clients in any matter that is not substantially related to our work for you even if the interests of such clients in those other matters are directly adverse. We agree, however, that your prospective consent to conflict of representation contained in the preceding sentence shall not apply in any instance where, as a result of our representation of you, we have obtained proprietary or other confidential information of a nonpublic nature that, if

RIDER, BENNETT, EGAN & ARUNDEL, LLP

Ms. Kathleen Zeller

April 23, 1998

Page 5

known to such other client, could be used in any such other matter by such client to the companies' material disadvantage.

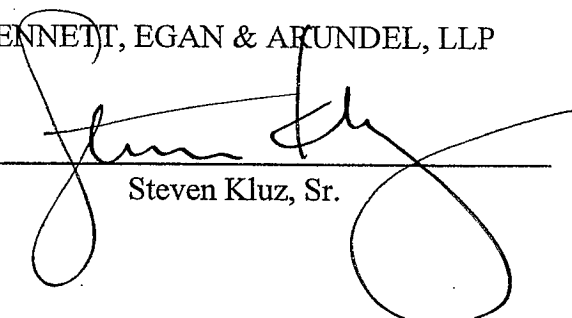
9. Prior Counsel. It is recognized and understood that the companies have been, and continue to be, represented by other counsel that have no doubt taken positions and postures that may limit the future conduct of the matters we are being asked to undertake on behalf of the companies. We cannot be responsible for unfavorable outcomes that may result from the prior taking of such positions and postures.

If you, in behalf of the companies, are in agreement with the content of this letter agreement, please sign the enclosed copy of this letter in the space provided below. If you have any questions about these provisions, or if you would like to discuss possible modifications, do not hesitate to call. Again, we are pleased to have the opportunity to serve the companies.

Very truly yours,

RIDER, BENNETT, EGAN & ARUNDEL, LLP

By


Steven Kluz, Sr.

SJK/dm

AGREED AND ACCEPTED BY
EACH OF THE COMPANIES
IDENTIFIED ON SCHEDULE A
ATTACHED HERETO.

By:


Kathleen Zeller,

in her capacity as President of each of
the companies.

Dated this 28th day of April, 1998

SCHEDULE A

Carefree Living of America (St. Cloud), Inc.

Carefree Living of America (Burnsville), Inc.

Carefree Living of America (Brainerd), Inc.

Carefree Living of America (Minnetonka), Inc.

Minnesota Home Health Care, Inc.

Summa Management, Inc.

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM
Name of Debtor CAREFREE LIVING OF AMERICA (BURNSVILLE), INC.	Case Number 01-3344 5	<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p> <p><input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.</p> <p><input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case.</p> <p><input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.</p>
Name of Creditor (The person or other entity to whom the debtor owes money or property): INTERNET FINANCIAL SERVICES Name and Address where notices should be sent: INTERNET FINANCIAL SERVICES ATTN DREW BACKSTRAND 120 S 6TH STREET 900 MINNEAPOLIS MN 55402	Telephone Number:	
Account or other number by which creditor identifies debtor:	Check here if <input type="checkbox"/> replaces this claim <input type="checkbox"/> amends a previously filed claim, dated _____	
1. Basis for Claim <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input checked="" type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other _____		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your SS #: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)
2. Date debt was incurred: 8/31/2000		3. If court judgment, date obtained:
4. Total Amount of Claim at Time Case Filed: \$ 38,370.55 If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
5. Secured Claim. <input checked="" type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: \$ 38,370.55 <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input checked="" type="checkbox"/> Other See attached UCC-1 Value of Collateral: \$ 247,149 Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ 38,370.55		6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,650)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$2,100* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). *Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. \$ 9,000 8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. 9. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		SEND CLAIM TO: U.S. BANKRUPTCY COURT 200 U.S. COURTHOUSE 316 NORTH ROBERT STREET ST. PAUL, MN 55101
Date 1/9/2002	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): Drew S. Backstrand - Vice President	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.		

Drew S. Backstrand, Vice President

Carefree Living of (Burnsville), Inc. payoff as of 1-9-02 24.0%

Per diem rate \$ 18.81

Loan 1

Principal \$28,210.84

Interest \$ 939.42

Per diem interest, October 1-January 9, 2002 \$ 1,899.53

Late fees \$ 1,607.51

Collateral Monitoring fees \$ -

NSF fees \$ 25.00

Legal fees \$ 5,688.25

Payment (Cash Collateral Adequate Protection) \$ (9,000.00)

(applied to legal, NSF, Collateral and Late fees and int.)

\$29,370.55

Total is due for all three Debtors

Dated August 31, 2000

Carefree Living of America (Brainerd), Inc., Carefree Living of America (Burnsville), Inc., Carefree Living of America (St. Cloud), Inc., and Carefree Living of America (Minnetonka), Inc., and SUMMA Management, Inc (collectively "Borrower"), whose address is 14505 Minnetonka Dr., Minnetonka, MN 55345-2210, unconditionally promises to pay to the order of INTERNET FINANCIAL SERVICES, LLC, a Minnesota limited liability company (IFS) and any holder of this Note are hereinafter sometimes referred to as "Holder") at 510 Marquette Avenue, Suite 206, Minneapolis, Minnesota 55402 or at such other place as may be designated from time to time in writing by the Holder hereof, the principal sum of One-Hundred Seventy-Thousand Dollars and 00/100 Dollars (\$170,000.00), together with simple interest on the unpaid principal balance from the date of this Note until fully paid at a monthly principal and interest rate factor of (.09456), which may be calculated as an annual simple interest rate per annum which is available from IFS upon request. The annual simple interest rate may also be provided in the Borrowers welcome letter from IFS. Borrower agrees to pay IFS \$42,500 at closing as an transaction fee. Such fee is earned by IFS at closing and is not refundable or prorated upon early prepayment of the Note. Borrower shall pay Holder \$7,500.00 for legal documentation of the transaction.

Principal and interest are due and payable in 12 consecutive monthly installments in the amount of (\$16,675.13) Sixteen-Thousand Seventy-Five Dollars and /100's each, commencing on 10/1/00 and continuing on the same day of each month thereafter until September 1, 2001 when the entire unpaid principal balance and all accrued but unpaid interest, late and other charges under this Note shall immediately be due and payable provided, however, that upon refinancing of the mortgages upon the Borrowers assisted living facilities through John G. Kinnard & Co., or another refinancing source, the entire amount of principal, interest and fees shall become immediately due and payable.

Each monthly installment payment shall be applied first to accrued but unpaid interest, then to late or other charges and the remainder to principal. Borrower agrees to pay a late payment service charge of five percent (5.0%) of any installment of principal or interest (including any final installment) not received by the Holder within five (5) business days of the due date. This Note may be fully or partially prepaid at any time during the term of this Note without penalty or premium. Any prepayment shall be applied first to accrued but unpaid interest, second to late and other charges and the remainder to the principal portions of the monthly installments due under this Note in the inverse order the monthly installments become due.

Borrowers represents that the use of the Product/Services are solely for commercial and business purposes of Borrower and not primarily or in any way for personal (non-business), family, household, or agricultural purposes. Borrower hereby authorizes IFS to pay the Seller for the receivable balance on such terms as are acceptable to IFS and the Seller. Borrower acknowledges that IFS is not the provider of the Product/Services being purchased from the Seller and that any claims or defenses Borrower may have against Seller are not a defense to, or an offset against, the payment of this Note. Borrower acknowledges that in making this loan IFS has relied upon all of the financial and other underwriting information to extend the loan, and if such financial and other underwriting information is inaccurate or misrepresented by the Borrower, it is to the financial detriment of IFS and the Holder.

Borrower shall be in default on this Note upon the occurrence of any one of the following events ("Event of Default"):

- (1) payment of any amount due is not made within ten (10) days of its due date by Automated Clearing House (ACH) funds; or
- (2) Borrower is the subject of a bankruptcy or other insolvency proceeding; or
- (3) A creditor of Borrower attaches any asset of the Borrower, which may include the Collateral; or
- (4) the Borrower and/or Seller have not used the Proceeds as disclosed to Holder or otherwise have materially breached the Note or its terms; or
- (5) any change in the principals of Borrower not consented to in writing by the Holder; or
- (6) a dissolution or winding up of the Borrower or the death of the principal if a sole proprietorship or guarantor.
- (7) Acceleration of the mortgage notes by First Union or the appointment of a receiver of the Borrowers.

Upon an Event of Default, Holder of this Note shall have the option, without notice, to declare the entire principal balance and accrued but unpaid interest, late and other charges under this Note immediately due and payable. In addition, Holder shall be entitled to exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code or otherwise under applicable law. After foreclosure upon any Collateral, Holder shall provide Borrower with ten-(10) days' written notice of sale of the Collateral.

In order to secure payment of Borrower's obligations under this Note, Borrower hereby grants to IFS a security interest in all of Borrower's Collateral as described in the separate Security Agreement of even date hereof. Any failure by Holder to exercise any right under this Note, the Security Agreement or applicable law shall not constitute a waiver of the right to exercise it in the event of any subsequent default. Borrower agrees to pay on demand all costs of collecting or enforcing payment under this Note, including attorney's fees, court costs and legal expenses.

The Borrower and any endorsers waive presentment and demand of payment, notices of protest, dishonor or default, diligence in collection and all other notices the undersigned may otherwise be entitled to.

This Note is expressly limited so that in no contingency or event whatsoever shall the amount paid or agreed to be paid to the Holder as interest for the use of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws, if any, applied to this Note. If, from any circumstances whatsoever, fulfillment of any provision herein at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any circumstance, IFS or the Holder of this Note shall ever receive as interest an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not

to the payment of interest. Borrower agrees to execute or reexecute any document or instrument to correct a closing error for this loan transaction. This Note, the Security Agreement and any related Guaranty (whether signed at closing or on some other date) shall be governed by and construed according to the laws of the State of Minnesota, without regard to its conflict of law rules. This note shall not be considered a binding contract until accepted by IFS in its office in Minnesota and funding of the loan. Borrower consents to venue of any suit or action under this Note in an appropriate federal and state court in Hennepin County, Minnesota, exercising jurisdiction over Borrower.

Carefree Living of America (Brainerd), Inc.,

By x KATHLEEN L. ZELLEN
Print Name KATHLEEN L. ZELLEN
Its PRESIDENT

Carefree Living of America (Burnsville), Inc.,

By x KATHLEEN L. ZELLEN
Print Name KATHLEEN L. ZELLEN
Its PRESIDENT

Carefree Living of America (St. Cloud), Inc.,

By x KATHLEEN L. ZELLEN
Print Name KATHLEEN L. ZELLEN
Its PRESIDENT

Carefree Living of America (Minnetonka), Inc.,

By x KATHLEEN L. ZELLEN
Print Name KATHLEEN L. ZELLEN
Its PRESIDENT

SUMMA Management, Inc

By x KATHLEEN L. ZELLEN
Print Name KATHLEEN L. ZELLEN
Its PRESIDENT

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA (ST. PAUL)**
PROOF OF CLAIM

Name of Debtor

Carefree Living of America (Burnsville), Inc.

Case Number

01-33545

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" of payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor

(The person or entity to whom the debtor owes money or property)
**Limited Partners of Brainerd Manor, Ltd.;
Limited Partners of Carefree Living of
Burnsville, Ltd.; and Limited Partners of
St. Cloud Manor, Ltd.**

Name and Address Where Notices Should be Sent

Paul B. Jones, Esq.
Fredrikson & Byron, P.A.
1100 International Centre
900 Second Avenue South
Minneapolis MN 55402
(612) -347-7000

☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

☐ Check box if you have never received any notices from the bankruptcy court in this case.

☒ Check box if the address differs from the address on the envelope sent to you by the court.

RECEIVED
 02 JAN -9 PM 1:42
 U.S. BANKRUPTCY COURT
 ST. PAUL, MN

Account or other number by which creditor identifies Debtor.

Check here if this claim:

☐ replaces

☐ amends a previously filed claim, dated:

1. Basis For Claim:

- ☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other (Describe briefly) Preferred stock and expense allowance pursuant to Settlement Agreement.

- ☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries and compensation (Fill out below)
 Your social security number: _____
 Unpaid compensation for services performed
 from _____ to _____
 (date) (date)

2. Date Debt Was Incurred
March 17, 1998
3. If Court Judgment, Date Obtained:
May 11, 1998
4. Total Amount of Claim at Time Case Filed: \$ 3,275,000.00 (plus accruing interest and attorneys' fees)

If all or part of your claim is secured or entitled to priority, also complete Item 5 of 6 below.

☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.
☐ Check this box if your claim is secured by collateral (including right of setoff).

Brief description of collateral:

- ☐ Real Estate
☐ Motor Vehicle
☐ Other Accounts and other business assets

Value of Collateral: \$ _____

Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____

6. Unsecured Priority Claim.
☐ Check this box if you have an unsecured priority claim

Amount entitled to priority \$ _____

- ☐ Wages, salaries or commissions (up to \$4,300)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - U.S.C. § 507(a)(3).
☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4).
☐ Up to \$1,950* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)().

*Amounts are subject to adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. See attached Schedule A.

9. Date Stamped Copy: To receive an acknowledgement of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

Date

January 8, 2002

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any)

Paul B. Jones

Paul B. Jones, Attorney for Gerald Brink, Attorney in fact for Limited Partners of Brainerd Manor, Ltd.; Limited Partners of Carefree Living of Burnsville, Ltd.; and Limited Partners of St. Cloud Manor, Ltd.

SEND CLAIM TO:

Clerk of Court
 United States Bankruptcy Court
 200 U.S. Courthouse
 316 North Robert Street
 St. Paul MN 55101

Schedule A to Proof of Claim of Limited Partners

Debtors' joint obligations arose pursuant to a Settlement Agreement among Debtors and Limited Partners of certain Limited Partnerships which Limited Partnerships sold all or substantially all of said Limited Partnerships' assets to the Debtors. The Settlement Agreement provided for the issuance of \$2,750,000.00 in preferred stock (27,500 shares of \$100 per share "Stated Value" preferred stock) and payment of an aggregate nonaccountable expense allowance of \$525,000.00.

FREDRIKSON & BYRON, P.A.
Attorneys and Advisors

Minneapolis
Lender:
Washington, DC 1100 International Centre
900 Second Avenue South
Minneapolis, MN 55402-3397
(612) 347-7000
FAX (612) 347-7077
www.fredlaw.com
Affiliate:
Mexico City
Warsaw
Montreal
Toronto
Vancouver
LESLIE A. ANDERSON
Direct Dial No.
(612) 336-4153
landerson@fredlaw.com

January 21, 2002

Ms. Linda Evenson
United States Bankruptcy Court
200 U.S. Courthouse
316 North Robert Street
St. Paul, Minnesota 55101

Re: Carefree Living of America (Burnsville), Inc. – Case No.: 01-33545
Carefree Living of America (St. Cloud), Inc. – Case No.: 01-33546
Carefree Living of America (Brainerd), Inc. – Case No.: 01-33547

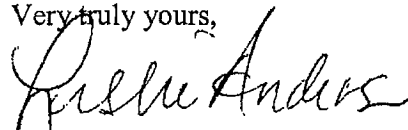
Dear Ms. Evenson:

As we previously discussed, this office filed proof's of claim on January 9, 2002 on behalf of Gerald Brink, Attorney-In-Fact for Limited Partners of Brainerd Manor, Ltd., Limited Partners of Carefree Living of Burnsville, Ltd. and Limited Partners of St. Cloud Manor, Ltd., in each of the above-captioned bankruptcies.

In reviewing the Court's web site, I noticed that the proof of claim that we filed in the Carefree Living of America (Brainerd), Inc. case was imaged twice. It appears that the proof of claim for Carefree Living of America (Burnsville), Inc. was inadvertently not imaged at all. Can you please make sure the court's web site reflects our filing in the Burnsville case also? I'm enclosing an additional copy of the proof of claim for Carefree (Burnsville) that was messengered to the Court on February 9.

Thank you for your assistance in getting this straightened out. Let me know if you have any additional questions.

Very truly yours,



Leslie A. Anderson
Paralegal

LAA:mkh
Enclosures
:2607567\1

UNITED STATES BANKRUPTCY COURT DISTRICT OF MINNESOTA (ST. PAUL)		PROOF OF CLAIM	
Name of Debtor Carefree Living of America (St. Cloud), Inc.		Case Number 01-33546	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" of payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.			
Name of Creditor (The person or entity to whom the debtor owes money or property) Limited Partners of Brainerd Manor, Ltd.; Limited Partners of Carefree Living of Burnsville, Ltd.; and Limited Partners of St. Cloud Manor, Ltd.		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Name and Address Where Notices Should be Sent Paul B. Jones, Esq. Fredrikson & Byron, P.A. 1100 International Centre 900 Second Avenue South Minneapolis MN 55402 (612) -347-7000		<div>RECEIVED 02 JAN -9 AM 11:51 U.S. BANKRUPTCY COURT ST. PAUL, MN</div>	
Account or other number by which creditor identifies Debtor.			
Check here if this claim: <input type="checkbox"/> replaces <input type="checkbox"/> amends a previously filed claim, dated:			
1. Basis For Claim: <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other (Describe briefly) Preferred stock and expense allowance pursuant to Settlement Agreement.		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. §1114(a) <input type="checkbox"/> Wages, salaries and compensation (Fill out below) Your social security number: _____ Unpaid compensation for services performed from _____ to _____ (date) (date)	
2. Date Debt Was Incurred March 17, 1998		3. If Court Judgment, Date Obtained: May 11, 1998	
4. Total Amount of Claim at Time Case Filed: \$ 3,275,000.00 (plus accruing interest and attorneys' fees). If all or part of your claim is secured or entitled to priority, also complete Item 5 of 6 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.			
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including right of setoff). Brief description of collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other <u>Accounts and other business assets</u> Value of Collateral: \$ _____ Amount of arrearage and other charges <u>at time case filed</u> included in secured claim, if any: \$ _____		6. Unsecured Priority Claim. <input type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ _____ <input type="checkbox"/> Wages, salaries or commissions (up to \$4,300)*, earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier -U.S.C. §507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$1,950* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7) <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). *Amounts are subject to adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.	
7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.		SEND CLAIM TO: Clerk of Court United States Bankruptcy Court 200 U.S. Courthouse 316 North Robert Street St. Paul MN 55101	
8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. See attached <u>Schedule A</u> .			
9. Date Stamped Copy: To receive an acknowledgement of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.			
Date January 8, 2002	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (Attach copy of power of attorney, if any) Paul B. Jones, Attorney for Gerald Brink, Attorney in fact for Limited Partners of Brainerd Manor, Ltd.; Limited Partners of Carefree Living of Burnsville, Ltd.; and Limited Partners of St. Cloud Manor, Ltd.		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 3 years, or both. 18 U.S.C. §§ 152 and 357.			

Schedule A to Proof of Claim of Limited Partners

Debtors' joint obligations arose pursuant to a Settlement Agreement among Debtors and Limited Partners of certain Limited Partnerships which Limited Partnerships sold all or substantially all of said Limited Partnerships' assets to the Debtors. The Settlement Agreement provided for the issuance of \$2,750,000.00 in preferred stock (27,500 shares of \$100 per share "Stated Value" preferred stock) and payment of an aggregate nonaccountable expense allowance of \$525,000.00.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re:

Chapter 7

Carefree Living of America (Burnsville), Inc.
Carefree Living of America (St. Cloud), Inc.
Carefree Living of America (Brainerd), Inc.

Case No. 01-33545
01-33546
01-33547

Debtors.

Brian F. Leonard, Trustee,

ADV Case No. 02-9117

Plaintiff,

v.

Jane L. Strom Revocable Trust and
Jane L. Strom, Trustee,

Defendants.

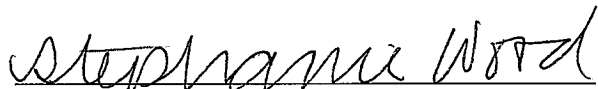
UNSWORN CERTIFICATE OF SERVICE

I, Stephanie Wood, declare under penalty of perjury that on the 27th day of September, 2004, I served a copy of the annexed *Supplemental Affidavit of Brian F. Leonard* on:

Ralph V. Mitchell, Esq.
Lapp, Libra, Thomson,
Stoebner & Pusch
One Financial Plaza, Suite 2500
120 South Sixth Street
Minneapolis, MN 55402

by mailing to all parties copies thereof, enclosed in an envelope, postage prepaid, and by depositing the same in the post office at Minneapolis, Minnesota, directed to said parties at the last known addresses of said parties.

Dated: September 27, 2004


Stephanie Wood
100 South Fifth Street, Suite 2500
Minneapolis, MN 55402
(612) 332-1030